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AGENDA ITEM 10b

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Wilshire Study on CalPERS Corporate Governance Program
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

Executive Summary

2008 marks the twenty-first anniversary for the CalPERS Focus List. Wilshire Associates conducts an annual analysis of the Corporate Governance Program's effectiveness at improving stock returns for companies placed on the Focus List. Through this agenda item, Wilshire is presenting the results of its July 31, 2008, performance analysis (Attachment 1) entitled The "CalPERS Effect" on Targeted Company Share Prices. The Wilshire analysis shows the following:

- For the five years prior to the "initiative date," the Focus List companies produced returns that averaged 82.2% below their respective benchmarks on a cumulative basis, which is equivalent to an excess return of -12.7% per year on an annualized basis.
- For the first five years after the "initiative date," the average targeted company produced excess returns of 15.7% above their respective benchmark return on a cumulative basis, or about 3% per year on an annualized basis.
- The five year cumulative excess return of 15.7% represents an increase in results from the prior year.
- The data strongly show that CalPERS' involvement with Focus List companies has generally stopped the rapid erosion of performance results.

V. STRATEGIC PLAN:

This agenda item is consistent with the Strategic Plan: Goal IX, achieve long-term, sustainable, risk adjusted returns.

VI. RESULTS/COSTS:

Costs associated with this item are assumed through the Wilshire Associates contract.

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